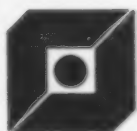
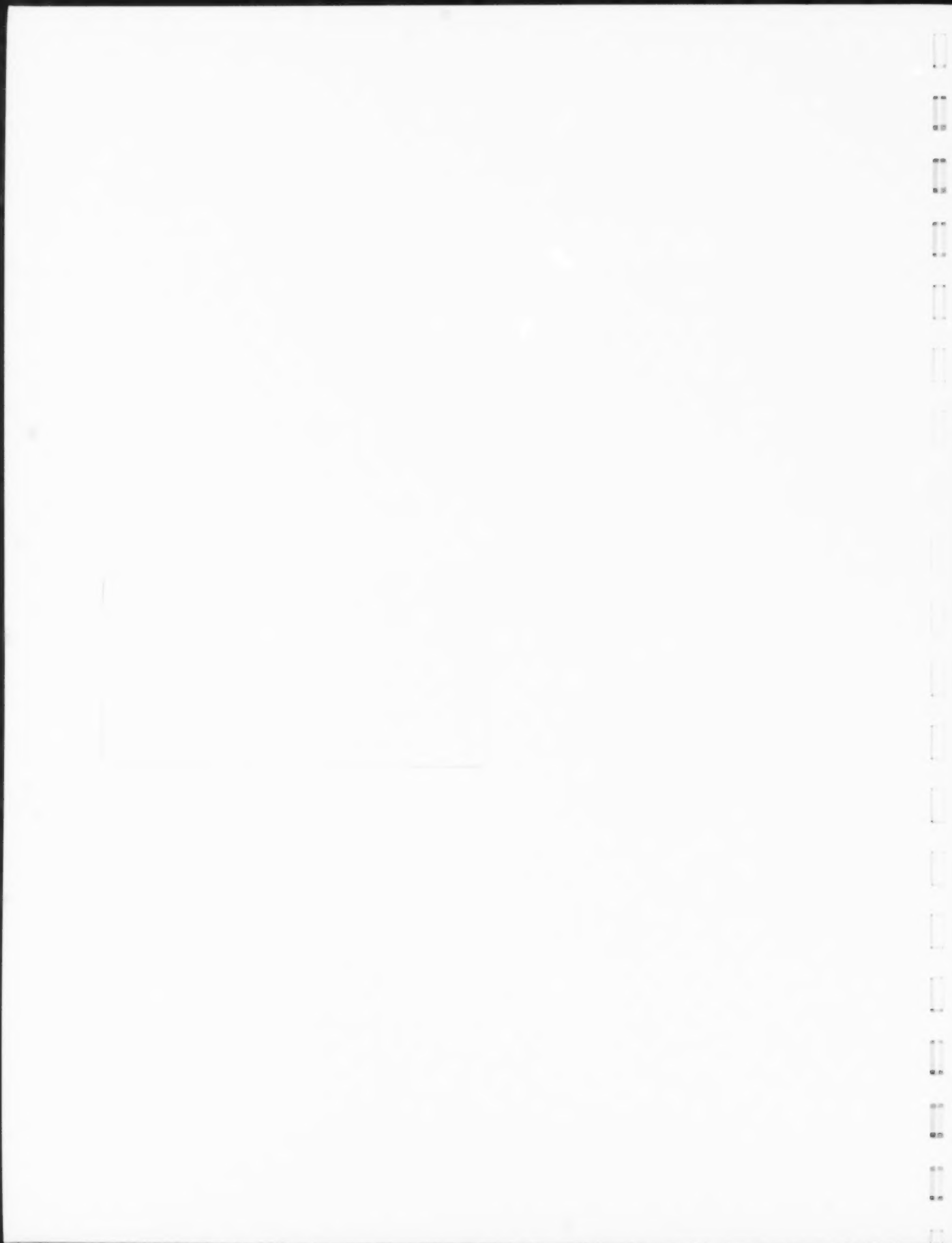


**ECONOMIC
INNOVATION &
TECHNOLOGY
COUNCIL**

**Annual Report
2005 – 2006**





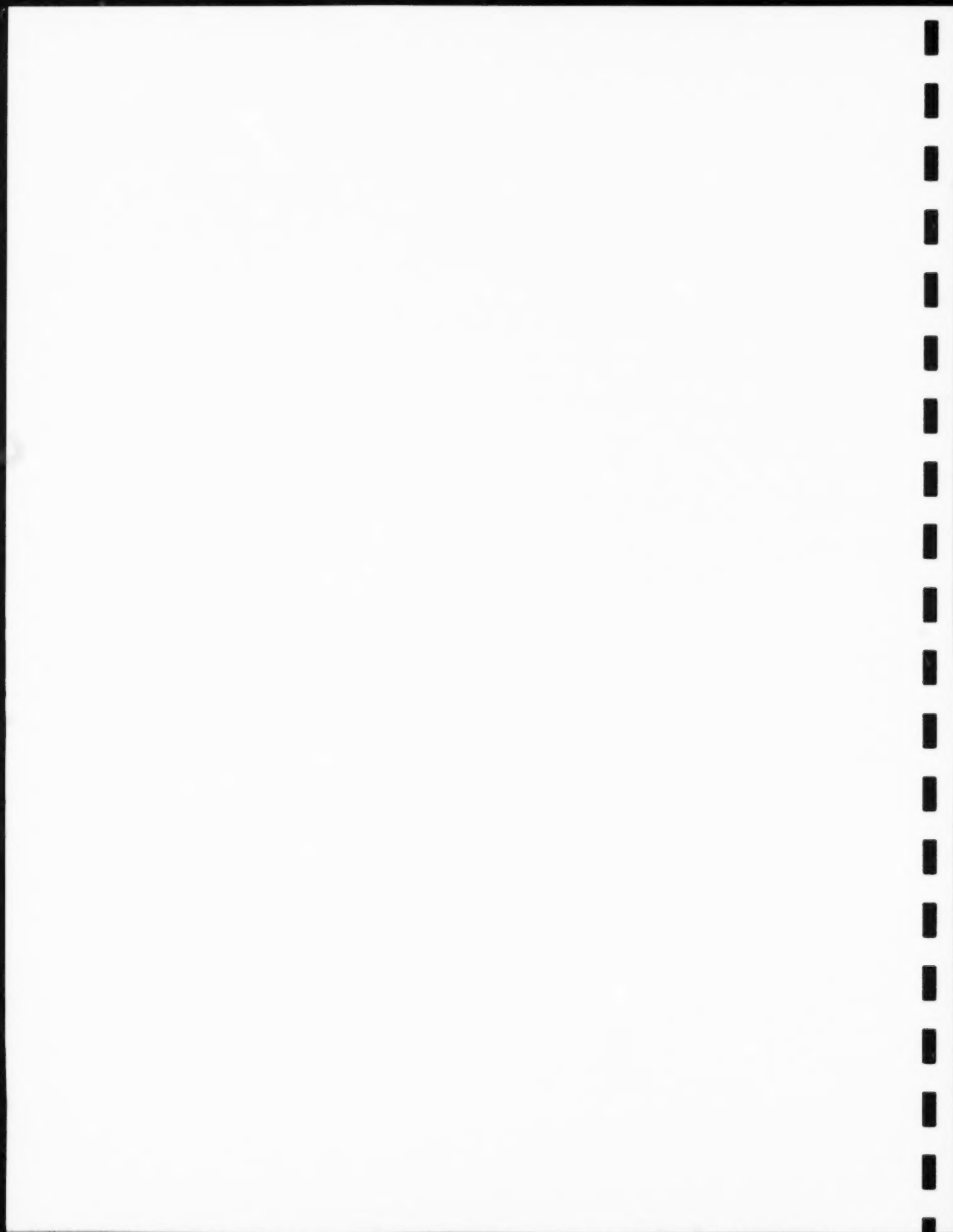
Economic Innovation and Technology Council

**Annual Report
2005 – 2006**



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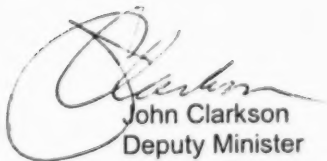
Letter of Transmittal

To the Honourable Dave Chomiak
Minister responsible for
the Economic Innovation and Technology Council
314 Legislative Building
Winnipeg Manitoba R3C 0V8

May it Please Your Honour:

I have the privilege of presenting the Annual Report of the Economic Innovation and Technology Council for the year ending March 31, 2006.

Respectfully submitted,



John Clarkson
Deputy Minister
Energy, Science and Technology

Economic Innovation & Technology Council

MANDATE, MISSION AND GOALS

The Economic Innovation and Technology Council (EITC) acts as a catalyst in establishing partnerships and alliances for increased economic development through innovation.

PRIORITIES

To be a catalyst and to focus on economic development through innovation, EITC's priorities will be in the areas of:

Development of partnerships to support community development exercises that are based on innovation;

- Diversification of economic development activities to support community economic development needs in the new economy;
- Support for the development of opportunities to enhance the government's economic development priorities of:
 - creating a skilled workforce
 - provide exciting opportunities for employment within communities
 - build on the existing provincial strengths in education, manufacturing, aerospace, financial services, health and agriculture
 - focus on energy intensive and new economy opportunities.

OPERATING GUIDELINES

The EITC Board is appointed by government and is currently made up of the following:

- Hugh Eliasson (Chair)
- Don Potter
- Eugene Kostyra
- John Clarkson.

The EITC Board will meet at least four times per year and will be responsible for the approval of all expenditures related to EITC. A quorum for the board meetings will be defined as one of the Chair or Vice-Chair and at least two other members. To ensure timely treatment of issues, the board will also circulate material and use e-mail as a mechanism to approve expenditures.

EITC will provide quarterly reports to Treasury Board and CEDC on actions taken and the results of those actions. An annual report and audited financial statements will be provided reporting on the activities of EITC by July 31 of each year.

EITC will be supported the staff of the Strategic Planning and Analysis Division in the Department of Energy, Science and Technology.

Activities/Results

Targeted Geoscience Initiative

The Targeted Geoscience Initiative is a federal program announced in the February 2005 budget. It will bring \$25 million, over 5 years, to new mapping in support of established base metal mining communities. The desired outcome of this project is the utilization of new geological information by industry, resulting in the discovery of new base metal reserves and renewed economic viability of northern mining communities.

Of 4-5 projects across Canada, one is in Manitoba-Saskatchewan, in the Flin Flon – Snow Lake – Leaf Rapids – Thompson – Lynn Lake – La Ronge – Creighton area. Provincial geological surveys in the two provinces, together with industry stakeholders, were instrumental in defining the geographic and geological scope of the project.

Funding by the Geological Survey of Canada will be on the order of \$1 million per year for the Manitoba-Saskatchewan project, to be matched by direct and in-kind funding by the two provinces.

The first year of the project (2005-06) has involved primarily airborne magnetic surveys in Manitoba and Saskatchewan. The areas chosen were proposed by the provincial geological surveys on the basis of geological need and potential impact to the exploration industry. The survey in Manitoba, which has been flown along the west margin of the Thompson Nickel Belt, will stimulate nickel exploration in the region. The cost of the survey (funded by the Geological Survey of Canada) is estimated at approximately \$315,000.

The other project partners and contributing agencies include:

- Federal Government
 - Natural Resources Canada - Earth Sciences Sector
 - Geological Survey of Canada
 - National Science and Engineering Research Council (NSERC)
- Province of Manitoba
 - Industry, Economic Development and Mines
 - Manitoba Geological Survey
- Province of Saskatchewan
 - Industry and Resources
 - Northern Geological Survey
- Laurentian University
- Brandon University
- HudBay Minerals Inc.

**Economic Innovation and
Technology Council
Financial Statements**

March 31, 2006

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Auditor's Report

Auditors' Report

To the Office of the Auditor General

We have audited the balance sheet of the **Economic Innovation and Technology Council** as at March 31, 2006 and the statements of revenue, expenditure and funds retained, project revenue and expenditures and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
May 24, 2006

Chartered Accountants

Economic Innovation and Technology Council

Balance Sheet

Exhibit A

As at March 31 **2006** **2005**

Assets

Current

Petty cash	\$ 400	\$ 400
Funds on deposit		
Minister of Finance		
Cash	32,783	90,955
Term deposits (and accrued interest)		91,898
Accounts receivable		
Province of Manitoba	3,376	2,939
Other	7,705	122,327
Prepaid expenses	<u>7,289</u>	<u>768</u>
	51,553	309,287

Investment in Manitoba Technology Centre Ltd. (Note 3)	<u>1</u>	<u>1</u>
	<u>\$ 51,554</u>	<u>\$ 309,288</u>

Liabilities

Current

Accounts payable and accrued liabilities		
Province of Manitoba	\$ 9,375	\$ 12,657
Unearned project receipts	<u>10,379</u>	<u>187,665</u>
	19,754	200,322

Equity

Funds retained (Exhibit B)	<u>31,800</u>	<u>108,966</u>
	<u>\$ 51,554</u>	<u>\$ 309,288</u>

Economic Innovation and Technology Council Exhibit B
Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31

2006

2005

(Note 7)

Revenue		
Government of Canada, program grant	\$ 46,213	\$ 46,147
Sundry	<u>6,716</u>	<u>6,987</u>
	<u>52,929</u>	<u>53,134</u>
Expenditure		
Operating expenses (Schedule 1)	<u>130,095</u>	<u>76,857</u>
Deficiency of revenue over expenditure	<u>\$ 77,166</u>	<u>\$ 23,723</u>
Funds retained, beginning of year		
	\$ 108,966	\$ 132,689
Deficiency of revenue over expenditure	<u>77,166</u>	<u>23,723</u>
Funds retained, end of year (Exhibit A)	<u>\$ 31,800</u>	<u>\$ 108,966</u>

Economic Innovation and Technology Council **Statement of Project Revenue and Expenditures**

Exhibit C

Year Ended March 31

2006

2005
(Note 7)

Receipts (by Program/Project)

Life Science Initiatives		
Contribution from Province of Manitoba (Note 4)	\$ 42,859	\$ 37,525
Program sponsors	3,421	1,940
Energy and Climate Change Initiatives		
Contribution from Government of Canada	35,000	151,303
Contribution from Province of Manitoba (Note 4)	201,056	267,697
Program sponsors	90,562	87,707
Program sponsors - In-Kind Support		115,087
Science and Technology Initiatives		
Contribution from Province of Manitoba (Note 4)	32,625	278,019
Program registrations		8,000
Program sponsorships		70,070
Targeted Geoscience Initiatives		
Contribution from Government of Canada	<u>83,304</u>	<u>333,881</u>
	<u>488,827</u>	<u>1,351,229</u>

Expenditure (by Program/Project)

Life Science Initiatives	46,280	39,465
Energy and Climate Change Initiatives	326,618	506,707
Energy Initiatives - In-Kind Support		115,087
Science and Technology Initiatives	32,625	356,089
Targeted Geoscience Initiatives	<u>83,304</u>	<u>333,881</u>
	<u>488,827</u>	<u>1,351,229</u>
Excess of revenue over expenditures retained	\$ -	\$ -

Economic Innovation and Technology Council

Statement of Cash Flows

Exhibit D

Year Ended March 31

2006

2005

Increase (decrease) in cash and funds on deposit

Operating		
Deficiency of Council operations revenue over expenditure (Exhibit B)	\$ (77,166)	\$ (23,723)
Net changes in non-cash working capital balances		
Accounts receivable	114,185	(76,164)
Prepaid expenses	(6,521)	(768)
Accounts payable and accrued liabilities	(3,282)	(90,986)
Unearned project revenues	<u>(177,286)</u>	<u>94,041</u>
Net decrease in cash	<u>(150,070)</u>	<u>(97,600)</u>
Cash and funds on deposit, beginning of year	<u>183,253</u>	<u>280,853</u>
Cash and funds on deposit, end of year	<u>\$ 33,183</u>	<u>\$ 183,253</u>
Represented by:		
Cash	\$ 400	\$ 400
Funds on deposit		
Minister of Finance		
Cash	32,783	90,955
Term deposits	<u></u>	<u>91,898</u>
	<u>\$ 33,183</u>	<u>\$ 183,253</u>

Economic Innovation and Technology Council Notes to the Financial Statements

March 31, 2006

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance and short-term deposits with original maturities of three months or less.

c) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

d) Revenue recognition

Revenue is recognized as program expenditures are incurred.

Economic Innovation and Technology Council

Notes to the Financial Statements

March 31, 2006

3. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of \$25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of \$875,000, and 1 Class B Special Preferred Share with a paid-up capital value of \$1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of \$75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of \$875,000 divided by 1,500,000 or \$.5833 per share. As part of the Unanimous Shareholders Agreement, ETL was committed to contributing \$1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at \$1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;
2. MTC continues to occupy premises owned by the Province of Manitoba; and
3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of \$25 for \$434,200.

A gain of \$434,175 resulting from this redemption was recorded.

Economic Innovation and Technology Council

Notes to the Financial Statements

March 31, 2006

4. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

5. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

6. Financial instruments

The Council's financial instruments consist of cash, funds on deposit, accounts receivable, investment in Manitoba Technology Centre, accounts payable and accrued liabilities and unearned project receipts. It is management's opinion that the Council is not exposed to significant credit or interest rate risk. The fair value of these financial instruments approximates their carrying values.

7. Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform to financial statement presentation adopted in the current year.

Economic Innovation and Technology Council
Schedule of Expenses**Schedule 1**

Year Ended March 31

2006

2005
(Note 7)

Advertising and promotion	\$ 15,000	\$ 10,000
National Research Council - Industrial Research Assistance Program	46,217	46,147
Council activities	24,700	
Equipment rental and maintenance		5,006
Fees, memberships and conferences		5,000
Postage, delivery and telephone		
Printing and stationery	160	336
Professional fees	5,350	5,871
Purchased services	14,172	
Rental and property tax	4,496	4,497
Travel	20,000	
	<u>\$ 130,095</u>	<u>\$ 76,857</u>

**Conseil de l'innovation économique et de la
technologie**

**Rapport annuel
2005 – 2006**

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États financiers

·Rapport des vérificateurs

Bilan

État des revenus, des dépenses et des fonds retenus

État des revenus et de l'utilisation des subventions
du Fonds de l'innovation économique et de la technologie

État des flux de trésorerie

Notes afférentes aux états financiers

Tableau des dépenses

Lettre de présentation

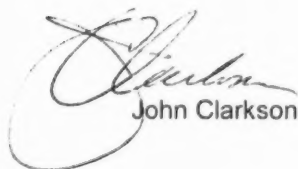
Monsieur Dave Chomiak
Ministre responsable du
Conseil de l'innovation économique et de la technologie
Palais législatif, bureau 314
Winnipeg (Manitoba) R3C 0V8

Monsieur le Ministre,

J'ai le privilège de vous soumettre le rapport annuel du Conseil de l'innovation économique et de la technologie pour l'exercice se terminant le 31 mars 2006.

C'est avec mes respects, Monsieur le Ministre, que je vous sou mets ce document.

Le sous-ministre de l'Énergie,
des Sciences et de la Technologie,



John Clarkson

Conseil de l'innovation économique et de la technologie

MANDAT, MISSION ET OBJECTIFS

Le Conseil de l'innovation économique et de la technologie (CIET) joue le rôle de catalyseur en ce qui concerne l'établissement de partenariats et d'alliances qui favorisent le développement économique par le biais de l'innovation.

PRIORITÉS

Pour servir de catalyseur et se concentrer sur le développement économique par le biais de l'innovation, le CIET s'est fixé les priorités suivantes :

- formation de partenariats qui appuient les projets de développement communautaire fondés sur l'innovation;
- diversification d'activités qui contribuent à répondre aux besoins de développement économique communautaire dans la nouvelle économie;
- soutien en vue de favoriser les occasions d'appuyer les priorités du gouvernement en matière de développement économique, à savoir :
 - créer une main-d'œuvre qualifiée;
 - fournir des possibilités d'emploi intéressantes dans les collectivités;
 - miser sur les forces provinciales existantes dans les domaines de l'éducation, de l'industrie manufacturière, de l'aérospatiale, des services financiers, de la santé et de l'agriculture;
- se concentrer sur les possibilités dans la nouvelle économie, et dans les secteurs à forte intensité énergétique.

PRINCIPES DE FONCTIONNEMENT

Le conseil d'administration du Conseil de l'innovation économique et de la technologie est nommé par le gouvernement et comprend les membres suivants :

- M. Hugh Eliasson (président)
- M. Don Potter
- M. Eugene Kostyra
- M. John Clarkson

Le conseil d'administration du CIET se réunit au moins quatre fois par an et doit autoriser toutes les dépenses liées au CIET. Le quorum requis pour les réunions du conseil comprend le président ou le vice-président et au moins deux autres membres. Afin de veiller à ce que les questions soient traitées dans un délai convenable, le conseil distribue des documents et envoie des messages par voie électronique pour l'autorisation des dépenses.

Le CIET fournit au Conseil du Trésor et au Comité du Cabinet chargé du développement économique et communautaire des rapports trimestriels décrivant ses activités et les résultats de celles-ci. Le CIET présente également, au plus tard le 31 juillet de chaque année, un rapport annuel et des états financiers vérifiés portant sur ses activités.

La Division de la planification stratégique et de l'analyse du ministère de l'Énergie, des Sciences et de la Technologie appuie les activités du CIET.

Activités et résultats

Initiative géoscientifique ciblée

L'initiative géoscientifique ciblée est un programme fédéral annoncé en février dans le cadre du budget 2005. En vertu de ce projet, 25 millions de dollars seront versés sur une période de cinq ans pour produire de nouvelles cartes sur les réserves de métaux communs des collectivités minières établies. On espère que ce projet entraînera l'utilisation de nouvelles données géologiques par l'industrie, donnant lieu à la découverte de nouvelles réserves de métaux communs et au renouvellement de la viabilité économique des collectivités minières du nord de la province.

L'un des quatre ou cinq projets établis au Canada concerne la région de Flin Flon, Snow Lake, Leaf Rapids, Thompson, Lynn Lake, La Ronge et Creighton, au Manitoba et en Saskatchewan. Des levés géologiques dans les deux provinces, ainsi que les intervenants de l'industrie, ont joué un rôle important dans la détermination de la portée géographique et géologique du projet.

La Commission géologique du Canada fournira une somme de un million de dollars par année au projet Manitoba-Saskatchewan, somme qui sera jumelée en contrepartie par un financement direct et en nature versé par les deux provinces.

La première année du projet (2005-2006) a porté essentiellement sur la conduite de levés aéromagnétiques au Manitoba et en Saskatchewan. Les régions choisies l'ont été en fonction des levés géologiques provinciaux, selon les besoins géologiques et les retombées éventuelles sur l'industrie de l'exploration. Le levé aérien effectué au Manitoba, en survolant la marge ouest de la ceinture nickélifère de Thompson, stimulera l'exploration du nickel dans la région. Le coût du levé (financé par la Commission géologique du Canada) est estimé à environ 315 000 \$.

Les partenaires et organismes suivants contribuent au projet :

- gouvernement fédéral
 - Ressources naturelles Canada – Secteur des sciences de la Terre
 - Commission géologique du Canada
 - Conseil de recherches en sciences naturelles et en génie du Canada (CRSNG)
- Province du Manitoba
 - Industrie, Développement économique et Mines
 - Levés géologiques du Manitoba
- Province de la Saskatchewan
 - Industry and Resources
 - Northern Geological Survey
- Université Laurentienne
- Université de Brandon
- HudBay Minerals Inc.

